



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Date: October 31, 2023
Memorandum To: Board of Supervisors
County of Buckingham, Virginia
From: Robinson, Farmer, Cox Associates
Regarding: Audit for fiscal year ended June 30, 2022

In planning and performing our audit of the financial statements of County of Buckingham, Virginia as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (Internal Control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Accruals and Audit Entries (County Finance) (Repeat Comment)

Issue

Several audit adjustments were proposed during the course of the audit to record accruals such as accrued interest on debt in the water and sewer funds, depreciation expense on capital assets in the water and sewer funds, adjusting retainage payable on construction contracts, recording transfers to zero out the school operating and VPA fund balances, various receivable and payable accruals and corrections, recording debt refinancing activity, etc. Auditing standards describe significant audit adjustments as a sign of internal control deficiencies that may rise to the level of a significant deficiency or material weakness. The Finance Director has prepared reconciliations for state and federal revenues and recorded related entries in this area as well as recording unbilled receivables for water and sewer funds and various other accrual entries through working with other departments and the School Board. In the current year, several adjustments typically recorded by management such as taxes receivable, principal payments made on water and sewer debt, and school accruals were not included in the Finance Director's entries as part of audit preparation.

Recommendation

Management should review the audit entries proposed during the course of the audit as well as revised reconciliation spreadsheets in an effort to record routine journal entries and correct errors prior to audit fieldwork. In the year-end closing procedures and preparation for audit, account reconciliations should be performed to determine whether all activity is properly reflected in the general ledger and appropriate journal entries made. Efforts should focus reducing the number and significance of general ledger adjustments proposed by the auditors.

State and Federal Revenue Reconciliations (County Finance)

Issue

With the outpouring of federal funds and increased oversight from state and federal agencies, it is imperative to properly classify funds as state or federal and to capture the correct assistance listing number (formerly referred to as the CFDA number) for federal programs. Most of the grant funding for the Sheriff's department is federally funded and there are often reimbursements coming in after June 30 for expenses incurred in the prior fiscal year. Grant receipts after year-end should be reviewed for proper accounting as receivables.

Recommendation

We recommend that the Finance Director communicate with other departments regarding the proper classification of grants and ensure that revenue accruals are recorded as appropriate at the end of each fiscal year.

Budget Appropriations (County Finance)

Issue

Several departments had expenditures that exceeded appropriations at year-end. Per Code of Virginia §15.2-2506, no expenditures shall be paid prior to appropriation for the expenditure.

Recommendation

We recommend that throughout the year, the Finance Director routinely record budget adjustments, monitor the budget monthly, and communicate with departments on a regular basis regarding their expenditures in relation to approved budgets.

Utility Receivables Reconciliation (County Finance and Utilities) (Repeat Comment)

Issue

Monthly reports are generated for water and sewer receivable balances. The general ledger amounts are recorded on the reports but the differences are not reconciled, researched or explained. Management contacted BAI and found that the reports are not pulling accurate information to facilitate the monthly reconciliations; however, they have not pursued identifying how to obtain more reliable information for performing the reconciliations.

Recommendation

Management should create policies and procedures detailing routine financial duties that must be performed. Discrepancies noted on the monthly reconciliations of receivable balances should be researched and corrected, as appropriate. BAI should be consulted in order to obtain accurate reports to be used for reconciliations. The allowance for uncollectible receivables should be reviewed and adjusted accordingly based on a review of outstanding balances. In addition, the overpayments accounts should be reviewed for appropriateness. For example, the SW overpayments account in fund 501 has carried the same balance for several years.

Accrued Leave Schedules (County Administration) (Repeat Comment)

Finding

County employees earn varying amounts of annual and sick leave based on years of service. County Administration prepares the accrued leave schedule “Auditor’s Time Sheet” based on time records and accumulated leave balances. The schedule presented for audit included several clerical errors, such as department totals not including all rows/cells, keying errors on number of hours, not properly computing leave accruals based on years of service, and computed balances not being properly capped in accordance with the policy.

Recommendation

We recommend the annual accrued leave spreadsheet be prepared by someone who is more proficient in excel and formally reviewed by management upon completion. Excel spreadsheets are susceptible to clerical errors; therefore, proof totals should be incorporated into the spreadsheet and formulas reviewed to ensure mathematical accuracy. Hire dates should be reviewed for newer employees to ensure their balances are properly computed and tracked and pay rates should be verified against the payroll system to ensure accuracy. Management should consider using the updated spreadsheet format provided by the auditors to attempt to reduce formula-based errors.

Statements of Economic Interest (County Administration) (Repeat Comment)

Finding

Two members of the Board of Zoning Appeals (BZA), two members of the Industrial Development Authority (IDA), and one member of the Planning Commission did not file annual statements of economic interest or financial disclosure forms, as required. Inquiries revealed that County Administration followed up with these individuals on several occasions about the missing forms. In addition, the Commonwealth Attorney was notified of IDA members refusing to file forms and the County reached out to the State for instructions on how to proceed with members refusing to file the required forms.

Recommendation

We recommended that the County continue to educate appointed members of the various boards about filing requirements and take the necessary procedures to obtain the forms.

Payroll and Vendor File Change Logs (County Finance)

Finding

The County has a small Finance department, and the Data Processing Manager handles payroll and also periodically processes payables. She also has access to make changes to the BAI general ledger system. There is currently no review of the vendor or payroll system master file change log, showing all changes made to vendor and payroll information, to ensure it reflects accurate and complete information.

Recommendation

To mitigate the risk of the small staff in Finance and limited segregation of duties, we recommend that the Finance Director periodically review BAI master change logs. This should assist in identifying unauthorized changes made within the system.

School Federal Programs (School and County Finance)

Issue

Several federal grants with similar names (i.e., ESSER and School Improvement grants) were received and expended by the School Board during the year. The School Board accounts for grant activity by creating a program code specific to each grant in the general ledger. However, it was difficult to match program revenues with program expenditures on the general ledger for the various programs with similar names. With the outpouring of federal funds and increased oversight from state and federal agencies, it is imperative to properly classify revenues and expenditures for each individual grant and to capture the correct assistance listing number (formerly referred to as the CFDA number) for federal programs.

Recommendation

We recommend that grant managers ensure the program expenditures reconcile to program revenues within the general ledger. This should include consideration of accruals that are recorded in relation to the grants. In addition, the School Finance Director should review the general ledger revenue summaries generated at the County and communicate with the County Finance Director regarding the proper classification of grants and recording of accruals. Grant receipts after year-end should also be reviewed for proper accounting as receivables.